

**ANALYSIS OF AMENDED BILL**

Author: Leno Analyst: Janet Jennings Bill Number: SB 1335  
 See Legislative  
 Related Bills: History Telephone: 845-3495 Amended Date: April 2, 2014  
 Attorney: Bruce Langston Sponsor \_\_\_\_\_

**SUBJECT:** Tax Credits/Add General Provisions

**SUMMARY**

This bill would require new tax credit legislation to include specific goals, purposes, and objectives, and performance measures.

**RECOMMENDATION**

No position.

**Summary of Amendments**

The April 2, 2014, amendments removed provisions of the bill that would have made technical changes to the Financial Code and replaced them with the provisions discussed in this analysis.

This is the department's first analysis of this bill.

**REASON FOR THE BILL**

The reason for the bill is to provide a standard method for the Legislature to evaluate tax credits periodically to ensure that the expenditures are providing the most benefit to the State and its taxpayers.

**EFFECTIVE/OPERATIVE DATE**

Assuming enactment before October 1, 2014, this bill would become effective on January 1, 2015, and specifically operative for any bill introduced on or after January 1, 2015, that would authorize a new tax credit.

**FEDERAL/STATE LAW**

Existing state and federal laws provide various tax credits and other tax benefits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or economic development area hiring credits). These benefits are generally designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

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## **THIS BILL**

This bill would require any bill introduced on or after January 1, 2015, that would authorize a new tax credit to contain language specifying:

- The goals, purposes, and objectives of the tax credit (e.g., a jobs credit that would provide an incentive for a company to hire a certain demographic),
- Detailed performance measures for the Legislature to use to measure the goals, purposes, and objectives. For example, in the case of a jobs credit bill, performance measures could include the increase in the number of jobs available, or the number of individuals that would be targeted for employment,
- Data collection and reporting requirements that would allow the Legislature to evaluate whether the credit is meeting its goals, purposes, and objectives.

## **IMPLEMENTATION CONSIDERATIONS**

Implementing this bill would not affect the department's programs and operations.

## **LEGISLATIVE HISTORY**

SB 508 (Wolk, Vetoed 2011) included the same provisions as this bill and required a sunset date for newly enacted credits.

SB 1272 (Wolk, Vetoed 2010) included the same provisions as this bill and required a sunset date for newly enacted credits.

ACA 6 (Calderon 2009/2010) would have amended the State's constitution to, among other things, limit the operative period to seven years from the date of the enactment of a new or amended tax credit. ACA 6 failed to pass the Assembly by the constitutional deadline.

## **OTHER STATES' INFORMATION**

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Review of these states' laws found no comparable limitation to the one proposed by this bill.

## **FISCAL IMPACT**

Because this bill would add requirements for future bills, no departmental costs are associated with this bill.

## **ECONOMIC IMPACT**

This bill would not impact the state's income tax revenue.

## **SUPPORT/OPPOSITION**

### Support:

California Conference of the Amalgamated Transit Union  
California Conference of Machinists  
California Nurses Association  
California School Employees Association  
Engineers & Technical Engineers, IFPTE Local 20  
International Longshore and Warehouse Union, Coast Division  
Professional & Technical Engineers IFPTE Local 21  
UNITE HERE  
Utility Workers Union of America, Local 132

Opposition: None on file

## **ARGUMENTS**

Proponents: Some would argue that performance indicators would allow the Legislature to evaluate whether a tax credit is meeting its stated goals.

Opponents: Some would argue that the bill does not mandate the Legislature to take any action to review or repeal ineffective tax credits.

## **LEGISLATIVE STAFF CONTACT**

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